

JOINT BUILDING AUTHORITY OF OTSEGO COUNTY

GAYLORD, MICHIGAN

AUDITED FINANCIAL STATEMENTS

THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Joint Building Authority of Otsego County	County Otsego
Audit Date 10/31/04	Opinion Date 12/10/04	Date Accountant Report Submitted to State: 3/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

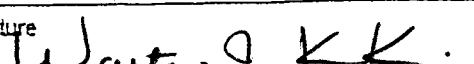
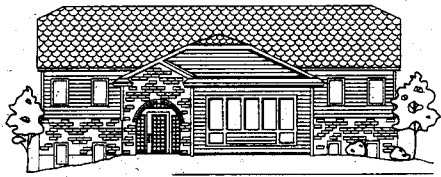
Certified Public Accountant (Firm Name) Keskine, Cook, Miller & Alexander, LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature 			

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

December 10, 2004

To the Members of the Board
Joint Building Authority of Otsego County
Gaylord, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Joint Building Authority of Otsego County, as of and for the thirteen-month period ended October 31, 2004; which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Joint Building Authority of Otsego County as of October 31, 2004, and the respective changes in financial position thereof and for the thirteen-month period then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K. Keskin, J. B. Cook, R. W. Miller, R. D. Alexander, C. A. Reppuhn
KESKIN, COOK, MILLER & ALEXANDER, LLP

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004**

This section of the annual financial report of the Joint Building Authority of Otsego County presents our discussion and analysis of the entity's financial performance during the fiscal year ended October 31, 2004. Please read it in conjunction with the financial statements which immediately follow this section.

Financial Highlights

Our financial status changed significantly from last year, due to the dissolution of the Authority's operation and maintenance activities. As of October 31, 2004, the City of Gaylord and County of Otsego elected to eliminate the Authority and absorb its activities. All remaining cash and fund balance amounts were allocated to the City and County as of October 31, 2004.

The Authority has not been completely eliminated as of the date of these financial statements, and the City-County building and all related fixed assets are still in the name of the Authority. However, it is the intent of the City and County to transfer ownership of these assets and dissolve the Authority completely within the next few months.

Because the Authority's operation and maintenance activities were dissolved as of October 31, 2004, management has elected to present these financial statements as a 13-month period ending October 31, 2004.

The change in net assets before special items, as calculated on the full accrual basis of accounting, was (\$11,936), due to the recording of depreciation expense. The special item recorded in these financial statements represents the allocation of fund balance to the City and County upon dissolution of the operation and maintenance activities of the Authority, totaling (\$44,443).

Capital assets remained constant from the prior year, and the Authority issued no long-term debt.

Overall revenues approximated \$178,000, all of which are program revenues mainly in the form of operating lease payments from the City and County. Overall expenses (including depreciation) approximated \$191,000.

Prior year revenue and expense totals were approximately \$143,000 and \$160,000 respectively. The increases in revenue and expenses from the prior year are due to the 13-month current period compared to a 12-month year in the prior year.

Overview of the Financial Statements

This annual report consists of three parts, management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities; this is one method to measure financial health or position.

Over time increases or decreases in net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Authority, you may also have to consider additional factors such as facility conditions and personnel changes.

The activity of the Authority – building operations and maintenance – is reported as a governmental activity. The Authority has no business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's funds, focusing on significant (major) funds, not the Authority as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They also may be created by the Authority's board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Authority has the following kinds of funds:

Operations and Maintenance Fund – All of the Authority's activities are included in this fund category. The fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the differences between them.

Financial Analysis of the Authority as a Whole

Net Assets – the Authority's combined net assets decreased during the 13-month period ended October 31, 2004 by approximately (\$56,000), totaling \$252,241.

The primary reason for the decrease in net assets was the allocation of fund balance to the City and County.

Financial Analysis of the Authority's Funds

The activities of the operations and maintenance fund have remained constant, consisting of utility expenses, cleaning and routine maintenance, repairs, and small capital projects. These activities were funded through lease payments received from the City and County, as is consistent with prior years.

Capital Asset and Long-term Debt Activity

Capital Assets – Although the Authority engaged in various small capital projects during the year, none resulted in the addition of capital assets.

Long-term Debt – The Authority has incurred no long-term debt at this time.

Known Factors affecting Future Operations

The City and County have chosen to dissolve the operation and maintenance activities of the Authority. It is their intent to dissolve the Authority completely and transfer ownership of the building and related assets within the next few months.

Contacting Entity Management

This financial report is designed to provide taxpayers, creditors, investors and customers with a general overview of the entity's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have questions concerning this report please contact Mr. Charles Berlin or Mr. Ronald Kirkpatrick at 225 West Main Street, Gaylord, MI 49735.

JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
STATEMENT OF NET ASSETS
OCTOBER 31, 2004

ASSETS

Current Assets:

Cash	\$ 53,763
Due from Chamber of Commerce	1,200
Due from Otsego County	6,190

Total Current Assets	<u>61,153</u>
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Non-Current Assets:

Capital Assets	864,484
Accumulated Depreciation	(612,243)

Total Non-Current Assets	<u>252,241</u>
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Total Assets	<u>313,394</u>
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LIABILITIES

Current Liabilities:

Due to Otsego County	54,042
Due to City of Gaylord	7,111

Total Liabilities	<u>61,153</u>
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NET ASSETS

Invested in Capital Assets	252,241
Net Assets, Unrestricted	-

Total Net Assets	<u><u>\$ 252,241</u></u>
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See accompanying notes to financial statements.

JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
STATEMENT OF ACTIVITIES
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004

P R O G R A M R E V E N U E S					NET (EXPENSE) REVENUES & CHANGE IN NET ASSETS
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS	CAPITAL GRANTS & CONTRI- BUTIONS	TOTAL	
\$ (190,294)	\$ 600	\$ 176,529	\$ 1,229	\$	(11,936)
SPECIAL ITEM					
Allocation of Fund Balance to City and County					(44,443)
Change in Net Assets					(56,379)
NET ASSETS - BEGINNING OF 13-MONTH PERIOD					308,620
NET ASSETS - END OF 13-MONTH PERIOD				\$	252,241

Governmental Activities:
Building Operation and
Maintenance

See accompanying notes to financial statements.

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
BALANCE SHEET
GOVERNMENTAL FUND
OCTOBER 31, 2004**

**OPERATIONS AND
MAINTENANCE FUND**

ASSETS

Cash and Equivalents	\$ 53,763
Due from Chamber of Commerce	1,200
Due from Otsego County	6,190
	<hr/>
Total Assets	61,153
	<hr/> <hr/>

LIABILITIES AND FUND EQUITY

Liabilities:

Due to Otsego County	54,042
Due to City of Gaylord	7,111
	<hr/>
Total Liabilities	61,153
	<hr/>

Fund Equity:

Fund Balance	-
	<hr/>
Total Liabilities and Fund Balance	\$ 61,153
	<hr/> <hr/>

See accompanying notes to financial statements.

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
OCTOBER 31, 2004**

**TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES
(PER BALANCE SHEET - PAGE 7)**

\$ -

Amounts reported for governmental activities in the Statement of
Net Assets (page 3) are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not recorded in the funds

864,484

Depreciation is not calculated on assets within the fund
financial statements

(612,243)

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER
STATEMENT OF NET ASSETS - PAGE 5)**

\$ 252,241

See accompanying notes to financial statements.

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
GOVERNMENTAL FUND
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004**

	OPERATIONS AND MAINTENANCE FUND
<hr/>	
REVENUES	
County of Otsego	\$ 148,375
City of Gaylord	28,154
Reimbursements	1,229
Other	600
	<hr/>
Total Revenues	178,358
	<hr/>
EXPENDITURES	
Wages and Fringes Benefits	38,207
Casual Labor	600
Administration	2,500
Utilities	66,979
Insurance	14,131
Repairs and Maintenance	40,833
Supplies	2,503
Vehicle Expense	451
Accounting Fees	2,875
Security	124
Miscellaneous	843
	<hr/>
Total Expenditures	170,046
	<hr/>
Excess (Deficiency) of Revenues over Expenditures	8,312
SPECIAL ITEM	
Allocation of Fund Balance to City and County	(44,443)
	<hr/>
Excess (Deficiency) of Revenues over Expenditures and Special Items	(36,131)
Fund Balance - Beginning of 13-month period	36,131
	<hr/>
Fund Balance - End of 13-month period	\$ -
	<hr/> <hr/>

See accompanying notes to financial statements.

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004**

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
(PER STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - PAGE 9)**

\$ (36,131)

Amounts reported for governmental activities in the statement of
activities (page 6) are different because:

Depreciation expense is recorded in the statement of activities
but not the governmental fund financial statements.

(20,248)

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES
(PER STATEMENT OF ACTIVITIES - PAGE 6)**

\$ (56,379)

See accompanying notes to financial statements.

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004**

NOTE A: ENTITY

The Otsego County Joint Building Authority was created by the County of Otsego and City of Gaylord under Act 31, Public Acts of Michigan, 1948 (first extra session), as amended, in 1966. Its primary purpose was to provide a funding vehicle for the acquisition and construction of a building to serve as offices for both governmental units. Ownership of the building lies with the Authority, which it leases to the County and City for an amount sufficient to cover annual operation maintenance costs of the Authority. The total annual lease amount is allocated on a pro-rata basis based on the respective entities' square footage of the building, determined to be 84% County and 16% City.

The financial statements of the City of Gaylord and County of Otsego are located at 225 West Main St., Gaylord, MI 49735.

DISSOLUTION OF THE AUTHORITY

The lease agreement of the Authority was to remain in effect for a period extending beyond the last maturity date of the Authority's revenue bonds that were purchased to fund the building's construction, but not to exceed a period of forty years.

The revenue bonds were fully retired in September 2002, at which time the County and the City could dissolve the existence of the Authority.

In July 2004, the County of Otsego and the City of Gaylord agreed to eliminate the Authority upon successful completion and adoption of an inter-local governmental agreement governing the management of the building.

As of October 31, 2004, the operations and maintenance activities of the Authority ceased and all remaining monies in the operation and maintenance fund were subsequently transferred to the County. However, as the County and City have not finalized an inter-local agreement, the Authority retains ownership of the building and related assets. Once the inter-local agreement has been adopted, ownership will revert to the County of Otsego, in accordance with the building's deed.

These financial statements have been prepared on a thirteen-month cycle to reflect the activity of the current fiscal year and through the last month of the Authority's operations, ending October 31, 2004.

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures, of the Authority's financial activities.

The accounting policies of the Authority conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On October 1, 2002, the Authority adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Authority's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by intergovernmental revenues.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Authority's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Fund Financial Statements

Fund financial statements are provided for the Authority's governmental fund. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this Note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Authority reports the following major governmental fund:

Operations and Maintenance Fund – This is the general operating fund of the Authority. It is used to account for all financial resources related to building maintenance which is the only current activity of the Authority. This fund has been closed and all such activities ceased as of October 31, 2004.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (within its operations and maintenance fund). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

BUDGETS

The budget is prepared and submitted to the County of Otsego and City of Gaylord for approval. The budget is normally prepared in the fall of the year to coincide with the County's budget cycle. Amendments are made to the budget as required during the year. The Authority overspent its budget by \$21,271 for the thirteen-month period ended October 31, 2004.

CAPITAL ASSETS AND DEPRECIATION

The Authority's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Authority maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50 – 75
Building Improvements	25 – 40
Land Improvements	10 – 20
Furniture, machinery, and equipment	5 – 10
Vehicles	5 – 10

For information describing capital assets, see Note D.

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide and financial statements, outstanding debt is reported as a liability. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. At this time, the Authority has no outstanding long-term debt.

NOTE C: CASH AND INVESTMENTS

Cash consists of bank accounts or securities with original maturities of 90 days or less.

All cash deposits are maintained in financial institutions in Michigan. The Authority's deposits are categorized to give an indication of the level of risk assumed by the Authority at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 – Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Operating Cash Account	<u>\$53,763</u>	<u>\$53,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$53,763</u>

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004**

NOTE D: CAPITAL ASSETS

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>		<u>CAPITAL ASSETS DEPRECIATED</u>			
	<u>Land</u>	<u>Construction In Progress</u>	<u>Buildings</u>	<u>Furniture & Fixtures</u>	<u>Machinery & Equipment</u>	<u>Totals</u>
Governmental Activities						
Balance, October 1, 2003	\$ 12,719	\$ -	\$ 788,914	\$ 47,794	\$ 15,057	\$ 864,484
Increases	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Balance, October 31, 2004	<u>12,719</u>	<u>-</u>	<u>788,914</u>	<u>47,794</u>	<u>15,057</u>	<u>864,484</u>
Governmental Activities Accumulated Depreciation						
Balance, October 1, 2003	-	-	534,524	44,170	13,301	581,995
Increases	-	-	16,930	1,812	1,506	20,248
Decreases	-	-	-	-	-	-
Balance, October 31, 2004	<u>-</u>	<u>-</u>	<u>551,454</u>	<u>45,982</u>	<u>14,807</u>	<u>612,243</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,719</u>	<u>\$ -</u>	<u>\$ 237,460</u>	<u>\$ 1,812</u>	<u>\$ 250</u>	<u>\$ 252,241</u>

Depreciation expense was charged entirely to the operations and maintenance function of the Authority.

NOTE E: DUE TO OTHER GOVERNMENTS

As described in Note A, the Authority's operation and maintenance fund was closed as of October 31, 2004. The balance recorded as Due to Other Governments in these financial statements represents the amount of money owed to the County and the City to close out the fund.

The Authority also had amounts due from other governments, which must be taken into account to arrive at the net cash that is to be remitted to the City of Gaylord and Otsego County, as follows:

	<u>CITY OF GAYLORD</u>	<u>OTSEGO COUNTY</u>	<u>TOTAL</u>
Due from Chamber of Commerce	\$ -	\$ (1,200)	\$ (1,200) *
Repair & Maintenance Expenses due			
From County	-	(6,190)	(6,190)
Payroll Expenses due to County	-	16,710	16,710
Allocation of Fund Balance (See Note F)	<u>7,111</u>	<u>37,332</u>	<u>44,443</u>
Net Cash to Distribute	<u>\$ 7,111</u>	<u>\$46,652</u>	<u>\$53,763</u>

* Otsego County must collect this amount from the Chamber.

**JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004**

NOTE F: FUND BALANCE

As described in Note A, the Authority's operation and maintenance activities have ceased. The remaining fund balance has been allocated to the County and City as follows:

	<u>CITY PORTION</u>	<u>COUNTY PORTION</u>	<u>TOTAL</u>
Allocation of Fund Balance	<u>\$ 7,111</u>	<u>\$ 37,332</u>	<u>\$ 44,443</u>

The allocation of fund balance has been recorded in these financial statements as a special item, and is included in the Due to Other Governments balances; see Note E.

NOTE G: INSURANCE

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Authority participates in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Authority pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Authority has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year.

JOINT BUILDING AUTHORITY OF OTSEGO COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH COMPARATIVE
ACTUAL AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2003
OPERATIONS AND MAINTENANCE FUND
THIRTEEN-MONTH PERIOD ENDED OCTOBER 31, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FROM AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
County of Otsego	\$ 119,700	\$ 119,700	\$ 148,375	\$ 28,675	\$ 114,135
City of Gaylord	22,800	22,800	28,154	5,354	21,658
Reimbursements	6,825	6,825	1,229	(5,596)	6,740
Interest	100	100	-	(100)	49
Miscellaneous	100	100	600	500	242
Total Revenue	149,525	149,525	178,358	28,833	142,824
EXPENDITURES					
Wages and Fringe Benefits	37,200	37,200	38,207	(1,007)	35,205
Administration	2,400	2,400	2,500	(100)	2,400
Casual Labor	500	500	600	(100)	600
Utilities	62,000	62,000	66,979	(4,979)	60,430
Insurance	7,500	7,500	14,131	(6,631)	8,287
Repairs and Maintenance	20,000	20,000	40,833	(20,833)	19,815
Supplies	4,650	4,650	2,503	2,147	3,175
Vehicle Expense	500	500	451	49	324
Laundry	1,500	1,500	-	1,500	2,472
Professional Services	2,200	2,200	2,875	(675)	2,075
Security	1,500	1,500	124	1,376	578
Capital Outlay	6,825	6,825	-	6,825	2,720
Miscellaneous	2,000	2,000	843	1,157	1,533
Total Expenditures	148,775	148,775	170,046	(21,271)	139,614
Excess (Deficiency) of Revenue Over Expenditures	750	750	8,312	7,562	3,210
SPECIAL ITEM					
Allocation of Fund Balance to City and County	-	-	(44,443)	(44,443)	-
Excess (Deficiency) of Revenue over Expenditures and Special Items	750	750	(36,131)	(36,881)	3,210
Fund Balance - Beginning of period	36,131	36,131	36,131	-	32,921
Fund Balance - End of period	\$ 36,881	\$ 36,881	\$ -	\$ (36,881)	\$ 36,131